

Message Text

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14

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-03 PA-03 USIA-15 PRS-01 DRC-01 /160 W

----- 015379

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1672

UNCLAS OTTAWA 2121

PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJECT: INTERNATIONAL RESERVES: AUGUST

1. MINFIN TURNER ANNOUNCED SEPT. 5 THAT CANADA'S
INTERNATIONAL RESERVES DECLINED BY \$196.9 MILLION
DURING AUGUST TO \$5,588.9 MILLION ON AUGUST 31.
FOLLOWING IN US MISSION DOLLARS:

US DOLLARS	\$3,908.6
OTHER CONVERTIBLE	
CURRENCIES	16.1
GOLD	834.2
SDR'S	507.3
IMF RESERVE POSITION	322.7

2. US DOLLAR BALANCES FELL BY 196.3 MILLION,
HOLDINGS OF OTHER CONVERTIBLE CURRENCIES ROSE \$3.1
MILLION AND CANADA'S RESERVE POSITION WITH THE IMF FELL
BY \$3.7 MILLION.

3. DEPT. FINANCE PRESS RELEASE NOTES THAT GOLD AND SDR
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DENOMINATED ASSETS CONTINUE TO BE VALUED AT OFFICIAL
GOLD PRICE OF \$38 PER OUNCE PENDING ACTION BY USG.

4. AUGUST RESERVE LOSS WAS SEVENTH AND BY FAR THE LARGEST MONTHLY DECLINE THIS YEAR AND PLACES TOTAL RESERVES \$461 MILLION BELOW FINAL 1972 LEVELS. US DOLLAR BALANCES ACCOUNT FOR 446.4 MILLION OF THE DECLINE.

5. A LARGE SHORT-TERM INTEREST RATE DIFFERENTIAL-- HIGHLIGHTED BY A VIRTUALLY UNPRECEDENTED SPREAD OF ABOUT TWO PERCENTAGE POINTS (WHEN U.S. COMPENSATING BALANCES ARE CONSIDERED) IN PRIME RATES BETWEEN THE US AND CANADA--APPARENTLY RESPONSIBLE FOR A MAJOR NET OUTFLOW OF SHORT-TERM FUNDS AND DEMAND FOR US DOLLARS DURING THE MONTH. US DOLLAR STRENGTHENED ON CANADIAN EXCHANGE MARKETS FOR THIRD SUCCESSIVE MONTH. AUGUST 31 BANK OF CANADA QUOTE OF C\$1.0054 WAS ALMOST ONE-HALF CENT ABOVE FINAL JULY RATE.
SCHMIDT

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